



Government of the District of Columbia
Vincent C. Gray, Mayor
Department of Insurance, Securities and Banking



Chester A. McPherson
Interim Commissioner

In the Matter of

KA Associates, Inc.,
Respondent

ORDER NO: SB-CO-14-13

ADMINISTRATIVE CONSENT AGREEMENT AND ORDER

WHEREAS, KA Associates, Inc. (the “Respondent”) is an introducing broker-dealer located in Los Angeles, California and registered with the Financial Industry Regulatory Authority (FINRA) (07/20/1993), and the California Department of Corporations Securities Regulation Division (07/23/1993); and

WHEREAS, on March 3, 2013, KA associates filed an application with the District of Columbia Department of Insurance, Securities and Banking (the “Department”) for a license to act as a broker-dealer in the District of Columbia; and

WHEREAS, in its above-referenced application, Respondent informed the Department that it had unknowingly effected a small number of securities-related transactions on behalf a single customer who was a resident of the District of Columbia while not licensed under the District of Columbia Securities Act of 2000 (D.C. Official Code § 31-5601.01 *et. seq.* (2001) (the “Act”).

WHEREAS, on the basis of the foregoing information, the Department began an investigation to determine the extent, if any, of the Respondent's violations; and

WHEREAS, Respondent provided information and documentation to the Department to support its assertion that the failure to register was the result of an unintentional oversight; and

WHEREAS, the customer at the heart of the unlicensed activity was originally introduced to KA Associates through the investment advisory business of Kayne Anderson Capital Advisors, L.P. ("KACALP"); and

WHEREAS, KA Associates is affiliated with KACALP through common ownership; and

WHEREAS, a former employee, not registered as a broker-dealer agent in the District of Columbia, authorized the execution of securities transactions on behalf of a long time client of KACALP who was a resident of the state of New York.

WHEREAS, in 1995, the customer began college at Georgetown University in the District of Columbia; and

WHEREAS, the unlicensed activity was the result the customer establishing legal residency in the District of Columbia after graduation from college, rather than returning to New York; and

WHEREAS, the Commissioner of the Department (the "Commissioner"), has the authority to administer and provide for enforcement of the Act pursuant to D.C. Official Code § 31-5607.01; and

WHEREAS, without holding a hearing, without trial or formal finding of any issue of fact or law, and prior to the initiation of any formal proceeding, the Department and the Respondent have reached a mutual agreement regarding the resolution of this matter; and

WHEREAS, the Respondent voluntarily elect to permanently waive any right to a hearing and appeal under the District of Columbia Administrative Procedure Act, D.C. Official Code §§ 2-509(a) and 2-510(a) (2001); the Rules of Practice and Procedures for Hearings in the District of Columbia, 26 DCMR § B300 *et seq.*; and/or sections 602(b) and 803(a) of the Act, D.C. Official Code §§ 31-5606.02(b) and 31-5608.03(a), with respect to this Administrative Consent Agreement and Order ("Order");

NOW, THEREFORE, the Commissioner, as the administrator of the Act, and the Respondent, hereby enter into this Administrative Consent Agreement and Order (Agreement and Order), the principal terms of which are as follows:

I. STIPULATION OF FACTS

A. Jurisdiction

1. The Department has jurisdiction over this matter pursuant, to District of Columbia Official Code § 31-5606.02(b).
2. The foundational facts related to this matter occurred during the period of time from May 2008 through December 2010 (the "Relevant Period").

B. Background

1. KA Associates is an introducing broker-dealer located in Los Angeles, California and is registered with FINRA (07/20/1993), and the California Dept. of Corporations Securities Regulation Division (07/23/1993).
2. Whereas, an individual employed by KA associates effected nine (9) transactions between May 5, 2008 and December 17, 2010 on behalf of resident of the District of Columbia or within the District of Columbia, while not effectively licensed under the Act.

3. On March 3, 2013, KA Associates filed an application with the Department for a license to act as a broker-dealer in the District of Columbia.
4. In its application to the Department, the Respondent indicated that it conducted several transactions in the District of Columbia, prior to the date of its application.
5. Based on the foregoing information, the Department began an investigation to determine the full extent of any unlicensed activities by Respondent. That investigation yielded the information contained in this section of the Agreement and Order.
6. Respondent has acknowledged to the Department the Respondent's unintended error of not completing the above-referenced, securities-related registrations in the District of Columbia.
7. Respondent has no disciplinary history in the District of Columbia.
8. To date, Respondent has been fully cooperative with and responsive to the Department's requests for information regarding the licensing matter.
9. Respondent has established mechanisms that are designed to prevent similar oversights in the future.

II. CONCLUSIONS OF LAW

1. The Department has jurisdiction over this matter pursuant to D.C. Official Code § 31-5606.02(b).
2. The Department believes that the Respondent's transaction of securities-related business in the District of Columbia, without being properly licensed to engage in such business, is a violation of D.C. Official Code § 31-5602.01(a) and could form the basis of charges under D.C. Official Code § 31-5602.07(a)(2).

III. AGREEMENT

1. On the basis of the Stipulation of Facts and Conclusions of Law, the Respondent consents to enter into this Agreement and Order for the sole purpose of settling this matter prior to a hearing.
2. This Agreement and Order resolves the above-referenced concerns of the Department and any other action that the Commissioner could commence on behalf of the District of Columbia as it relates to the Respondent; provided, however, that the Commissioner may enforce any claims against Respondent arising from or relating to any violation of this Agreement and Order.
3. This Order shall become final upon its execution by the Commissioner.
4. The Respondent will continue to provide to the Department all information reasonably necessary to demonstrate the Respondent's compliance with the terms of this Agreement and Order.
5. For the purpose of resolving this matter, the Respondent will pay to the Department the amount of \$4,000.00, pursuant to D.C. Official Code § 31-5606.02(b)(4), and this amount shall be made payable to the "D.C. Treasurer" to be deposited into the District of Columbia's General Fund, pursuant to D.C. Official Code § 1-204.50. This amount shall be paid to the Department within ten (10) days of the Commissioner's execution of this Agreement and Order.
6. The foregoing payment is intended to cover fees, interest thereon and estimated expenses of the Department's investigation.
7. If payment is not made by the Respondent as agreed herein, the Commissioner may vacate this Agreement and Order, at the Commissioner's sole discretion, upon ten

(10) days' notice to the Respondent and without opportunity for administrative hearing, and the Respondent agrees that any statute of limitations applicable to the subject of the investigation and any claims arising from or relating thereto are tolled from and after the date of this Agreement and Order until such date that the Commissioner vacates this Agreement and Order.

8. This Agreement and Order and any dispute related thereto shall be construed and enforced in accordance with, and governed by, the laws of the District of Columbia, without regard to any choice of law principles.

9. The Respondent represents, warrants, and agrees that they have received independent legal advice from its attorney(s) with respect to the advisability of executing this Agreement and Order.

10. The Respondent through its execution of this Agreement and Order, voluntarily waive their right regarding a judicial review of this Agreement and Order under D.C. Official Code §§ 31-5606.02(b) and 31-5608.03.

Dated this 12th Day of March, 2014

SEAL



**APPROVED and so SETTLED: In Witness
Whereof, I have hereunto set my hand and
affixed the official seal.**

A handwritten signature in blue ink, appearing to read "Chester A. McPherson", written over a horizontal line.

Chester A. McPherson,
Interim Commissioner

AGREED AND CONSENTED TO:

KA Associates, Inc., hereby acknowledges that it has been served with a copy of this Settlement Agreement ("Agreement"), has read the foregoing Agreement, is aware of its right to a hearing and appeal in this matter, and has waived the same.

KA Associates, Inc., admits the jurisdiction of the Department; neither admits nor denies the Statement of Facts and Conclusions of Law contained in this Agreement; and consents to entry of this Agreement by the Department as settlement of the issues contained in this Agreement.

KA Associates, Inc., agrees that it shall not claim, assert, or apply for a tax deduction or tax credit with regard to any state, federal or local tax for any administrative monetary payment made by KA Associates, Inc., pursuant to this Agreement.

KA Associates, Inc., states that no promise of any kind or nature whatsoever was made to it to induce it to enter into this Agreement and that it has entered into this Agreement voluntarily.

David Shladovsky represents that he is General Counsel and, as such, has been authorized to enter into this Agreement for and on behalf of KA Associates, Inc.

Dated this 7th day of March, 2014

KA Associates

By: David Shladovsky
Title: General Counsel

I certify that David Shladovsky personally known to me, appeared before me this day and acknowledged the due execution of the foregoing instrument.

Witness my hand and official seal, this the _____ day of _____, 2014

(see attached)
Notary Public

KA Associates, Inc.

BY: David Shladovsky
David Shladovsky on behalf of
Respondent

DATE: March 7, 2014



CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

CIVIL CODE § 1189

State of California

County of Los Angeles

On March 7, 2014 before me, Heather Marie Baraga, Notary Public

personally appeared David Shladovsky

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.



Place Notary Seal Above

Signature: [Signature] Signature of Notary Public

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: _____

Document Date: March 7, 2014 Number of Pages: _____

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: _____ Signer's Name: _____

☐ Corporate Officer — Title(s): _____ ☐ Corporate Officer — Title(s): _____

☐ Individual ☐ Individual

☐ Partner — ☐ Limited ☐ General ☐ Partner — ☐ Limited ☐ General

☐ Attorney in Fact ☐ Attorney in Fact

☐ Trustee ☐ Trustee

☐ Guardian or Conservator ☐ Guardian or Conservator

☐ Other: _____ ☐ Other: _____

Signer Is Representing: _____ Signer Is Representing: _____